

**AMENDED & RESTATED  
ANNUAL INCENTIVE PLAN  
OF NOVANT HEALTH, INC.**

**Effective as of January 1, 2018**

PLAINTIFF'S  
EXHIBIT

**86**

CH199.51.54937-2.071028.0012  
Exec Comp - Novant Health AIP Plan Document (January 1, 2018, v.1)

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OF NOVANT HEALTH, INC.**

**Purpose**

This Amended & Restated Annual Incentive Plan of Novant Health, Inc. (the “Plan”) amends, restates and supersedes any and all prior Plan documents, including any amendments thereto. The Plan is intended to provide select key employees of Novant Health, Inc. (“Novant Health”) and its affiliates with the opportunity to earn additional compensation through performance that promotes the objectives established for Novant Health from time to time under this Plan. More specifically, the Plan is intended to promote the following primary objectives:

- Align executive and leader compensation with the achievement of Novant Health’s Vision to deliver remarkable patient experiences, in every dimension, every time;
- Complement the longer term performance perspective of the Long Term Incentive Plan;
- Maintain the competitiveness of the total executive and leadership compensation program; and
- Support executive and leadership retention efforts.

**Administration**

The Plan will be administered by the Compensation and Leadership Committee of the Board of Trustees of Novant Health (the “Committee”). The administrative responsibilities of the Committee include, but are not limited to, the following:

- Determine the eligibility criteria for Plan participation;
- Approve incentive award opportunities and performance measures, as recommended by the Chief Executive Officer of Novant Health (the “CEO”);
- Approve adjustments to performance measures and circuit breaker(s); Approve the system-component of the incentive award payments under the Plan, and approve the maximum total award payable to participants; and
- Administer procedure for the review of claims.

**Eligibility**

Eligibility for participation in the Plan will be limited to senior executives and leaders in Tiers 1-4 of Novant Health’s Executive and Leadership Compensation Program (“Employees”). An Employee must be in a Tier eligible position by October 1 of a performance cycle in order to

participate in the Plan at that Tier level in that performance cycle. Additionally, in order to be eligible to participate in the Plan for a performance cycle, the Employee's individual goals must be submitted and approved by the communicated deadline.

## Participation

The CEO shall automatically be a participant in the Plan. An eligible Employee (other than the CEO) shall become a participant in the Plan through approval of Novant Health's CEO. An Employee hired or promoted into an incentive-eligible Tier position prior to October 1st of the performance period shall participate in the Plan for the first time during that performance period and may be eligible to receive a pro rata award, if any, based on the number of full months of actual participation for that performance period. If an Employee is promoted prior to October 1st from an incentive-eligible Tier position into a higher Tier, then the Employee's award, if any, shall be pro-rated, based on the length of participation in each Tier.

If an Employee becomes eligible to participate in the Plan during a performance period prior to October 1st, then the Employee shall be eligible for a pro-rated award based on the following:

- In role prior to July 1<sup>st</sup>: Award based on actual goal accomplishment with payment prorated to match the full months of actual service.
- In role after July 1<sup>st</sup> but prior to October 1<sup>st</sup>: The Employee shall be eligible for a prorated award on the system-wide goals, based on the full months of actual service. The Employee shall be eligible for a discretionary award for the individual portion (if any) of the Employee's goals up to an amount not to exceed the Employee's Target award opportunity, prorated for full months of actual service. If a discretionary award is recommended, such award must be approved by a member of the Executive Team (or by the CEO for participants in Tier One).

## Performance Period

The performance period is the time frame over which performance is measured. A performance period will be one fiscal year of Novant Health, or such other period as the Committee may adopt.

## Incentive Award Opportunities

Incentive award opportunities for participants shall be established prior to the beginning of each performance period upon recommendation of the CEO and approval by the Committee after consideration of current market practices in executive compensation. The maximum incentive award opportunity that a participant may be granted for a performance period shall be a percentage of the participant's base salary, which percentage shall be determined according to the participant's Tier in Novant Health's Executive and Leadership Compensation Program. The actual incentive award shall be determined by the participant's actual level of performance relative to minimum, target and maximum levels of performance, as follows:

<u>Positions</u>	<u>Award Opportunity (% of Base Salary for Performance at):</u>		
	<u>Minimum/Threshold</u>	<u>Target</u>	<u>Maximum</u>
CEO	45%	60%	75%
Tier 1	40%	55%	70%
Tier 2.A	25%	40%	50%
Tier 2.B	25%	40%	50%
Tier 3.A	25%	40%	50%
Tier 3.B	20%	30%	40%
Tier 4.A	25%	40%	50%
Tier 4.B	10%	15%	30%

In general, “base salary” shall mean a participant’s actual base salary in effect on the first day of the performance period (*i.e.*, January 1), including amounts deferred on an elective, pre-tax basis under Novant Health’s Tax Deferred Savings Plan (*i.e.*, the Section 403(b) Plan) and ChoicePlan (*i.e.*, the Section 125 Plan). However, the following special rules shall apply:

- **New Hire or Promotion:** If an Employee, who is newly hired or is newly promoted into a Tier eligible position is selected for participation in the Plan prior to October 1 of a performance period, then the Employee’s base salary shall mean the base salary on the

date of hire or date of promotion (*i.e.*, from another Novant Health position not in Tier I, II, III, or IV.)

- **Off Cycle Base Salary Increase:** If a current participant receives a market adjustment to increase his or her base salary after January 1 but prior to October 1 of a performance period, then the CEO may, based upon the circumstances surrounding the base salary adjustment, take the adjusted base salary into account in determining the participant's award for the performance period commencing that January. If the CEO decides to take the participant's adjusted base salary into account, then the participant's base salary as of January 1 of the performance period shall be prorated and calculated using the participant's base salary on January 1 for the respective number of months in effect, and the increased base salary for the respective number of months in effect for the remainder of that year. If a participant receives a market adjustment to increase the participant's base salary after October 1 of a performance period, then such adjustment will not affect the participant's award for that performance period.

## Performance Assessment

Each participant's performance for purposes of this Plan will be assessed on the basis of (i) system wide goals approved by the Committee; or (ii) both system-wide goals approved by the Committee and individual goals. The CEO will recommend system-wide performance goals to the Committee for approval as close as possible to the beginning of the performance period. Once the system-wide performance goals are approved by the Committee, they will be communicated in writing to Plan participants; provided, that the Committee may, in its discretion, change the performance goals at any time. For performance beginning on and after January 1, 2012, the performance goals are expected to be in the following areas:

- Quality;
- Remarkable Patient Experience;
- Technology; and
- Financial Health.

## Weighting

System wide and individual goals shall constitute the following percentage of each participant's award opportunity.

Participants	System-Wide Objective Goals	Individual Goals
CEO	100%	0%
Tier 1	90%	10%
Tier 2.A	75% or 50%	25% or 50%
Tier 2.B	75% or 50%	25% or 50%
Tier 3.A	75% or 50%	25% or 50%
Tier 3.B	75% or 50%	25% or 50%
Tier 4.A	75% or 50%	75% or 50%
Tier 4.B*	40%	60%

\*The position of VP and Chief Audit Executive shall have 100% individual goal weightings.

Goal weighting for participants who are in Tier 2, 3 or 4 of Novant Health's Executive and Leadership Compensation Program shall be determined within the specified parameters by the participant's immediate supervisor.

Each performance area will have a designated objective or objectives for the fiscal year, with a threshold, target and maximum level of performance.

## Award Determination

**Circuit Breaker:** No awards will be granted under the Plan for a performance period unless the Committee determines that Novant Health has satisfied a two-part corporate level performance standard (referred to, collectively, as the “Circuit Breaker”) for the performance period. The first circuit breaker shall be achievement of 75% of the Minimum/Threshold goal for the financial performance measurement. If there is more than one financial performance measurement in the Plan for a performance period, then the Committee shall determine, in advance, which financial measurement shall be used for purposes of establishing the Circuit Breaker.

The second circuit breaker shall be achievement of 75% of the Minimum/Threshold goal for a nonfinancial performance measurement (e.g., patient satisfaction, employee commitment, quality of care, or such other nonfinancial goal as may be in the Plan for that performance period). If Novant Health achieves 75% of the Minimum/Threshold goal for financial performance, and 75% of the Minimum/Threshold goal of one other nonfinancial performance goal, then the circuit breakers have been satisfied (subject to the right of the Committee as expressed in the sentence that follows). The Committee may change or adjust either or both circuit breakers during the performance period.

**Performance Measurement:** If the Committee determines that the Circuit Breaker has been satisfied, a participant may be eligible to receive an award if the following two conditions are satisfied:

- The CEO, in the CEO’s discretion, determines that the participant has been a valuable leader whose performance has contributed significantly to Novant Health’s success during the performance cycle; and
- The system’s and/or the participant’s actual performance relative to goals meets or exceeds pre-established performance levels.

The Committee will approve the maximum awards payable to Plan participants. The Committee shall have the right to reduce an award to the extent deemed necessary by the Committee to prevent the payment of excessive compensation to a participant who is deemed to be a “disqualified individual” for purposes of the intermediate sanctions provisions of Section 4958 of the Internal Revenue Code.

### Vesting of Awards

An award granted to a participant with respect to a performance period shall become vested and payable on the day following the last day of the respective performance period (“Vesting Date”), provided the participant is in service with Novant Health on the Vesting Date and provided that the participant has completed and submitted to the Executive Vice President and Chief Administrative Officer the requisite goal assessment materials by the communicated deadline. Failure to submit completed paperwork by the deadline will result in complete forfeiture of the participant’s award for that performance period.

The Committee may, in its sole discretion, make a pro rata award to a participant (or to his or her beneficiary) who leaves Novant Health during a performance cycle due to retirement, total and permanent disability, or death. For purposes of this plan, “disability” shall mean disability as

defined in the federal Social Security Act. If a participant is deemed to be vested in an award because of disability, in no event will payment of the participant's award be made earlier than is permitted under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of vesting a participant who has retired, the participant must have been in their position for at least six (6) months during the performance cycle to be eligible for a pro rata award.

Except as otherwise provided in this section, a participant who ceases to be a Tier 1, Tier 2, Tier 3 or Tier 4 executive of Novant Health during a performance period shall forfeit his or her entire award for that performance period.

### **Payment of Awards**

An award that becomes vested with respect to a performance period, less applicable federal, state and local withholding taxes, shall be paid in cash as soon as possible after the participant submits his or her individual goal assessment paperwork, and after the Committee assesses performance and approves maximum awards payable, but in no event later than March 15th following the Vesting Date. No payments will be made after March 15th.

### **Designation of Beneficiary**

If a participant dies before receiving all payments to which he is entitled under the Plan, payment of the amounts to which the participant is entitled shall be made to the beneficiary or beneficiaries designated by an instrument filed by the participant with Novant Health or, in the absence of a designation, to the participant's estate. Such payments shall be made in the manner that they would have been made had the participant continued to live. A beneficiary designation may be revoked by a participant or superseded by the filing of a new designation at any time prior to the participant's death.

### **Nonassignability of Awards**

The right to receive payment of an award shall not be assignable or transferable (including by pledge or hypothecation) other than by will or the laws of intestate succession.

### **No Trust Fund; Unsecured Interest**

A participant shall have no interest in any fund or specified asset of Novant Health. No trust fund shall be created in connection with the Plan or any award, and there shall be no required funding of amounts which may become payable under the Plan. Any amounts which are or may be set aside under the provisions of this Plan shall continue for all purposes to be a part of the general assets of Novant Health, and no person other than Novant Health shall, by virtue of the provisions of this Plan, have any interest in such assets. No right to receive payments from Novant pursuant to this Plan shall be greater than the right of any unsecured creditor of Novant Health.

### **No Right or Obligation of Continued Employment**

Nothing contained in the Plan shall require Novant Health or its affiliates to continue to employ a participant, nor shall a participant be required to remain in the employment of Novant Health or its affiliates.

### **Special Compensation**

Payments under this Plan will be considered compensation for purposes of Novant Health employee retirement benefit plans, unless specifically excluded from a particular plan. Payments under this Plan will not be considered compensation for purposes of Novant Health health and welfare plans.

### **Claims Procedure**

If an executive or beneficiary (the "claimant") believes that he is entitled to benefits under the Plan which are not being paid to him or which are not being accrued for his benefit, he shall file a written claim therefore with the Committee. Such a claim must be filed within 90 days following the date as of which the Committee makes a determination with respect to which an award to which the claim relates. Within 90 days after receipt of a claim by the Committee, the Committee shall notify the claimant of its decision with regard to the claim. If such claim shall be wholly or partially denied, notice thereof shall be in writing and worded in a manner calculated to be understood by the claimant, and shall set forth: (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Plan on which the denial is based; and (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary. If the Committee fails to notify the claimant of the decision in timely manner, the claim shall be deemed denied as of the close of the initial 90-day period. The decision of the Committee shall be final and conclusive.

### **Amendment or Termination of the Plan**

Novant Health reserves the right to adopt, amend, modify, or terminate this Plan at any time by action of the Committee; provided, that in no event shall any such amendment, modification, or termination, adversely affect any amounts vested under the Plan. Any such action taken by the Committee is final and binding on all parties.

### **Applicable Law**

The Plan shall be governed by and construed in accordance with the laws of the State of North Carolina, except to the extent that such laws shall be superseded by applicable federal laws, including without limitation the Employee Retirement Income Security Act of 1974, as amended, and shall be interpreted and construed so as to qualify for the exemption for short-term deferrals under Section 409A of the Code.

CONFIDENTIAL – PRODUCED PURSUANT TO PROTECTIVE ORDER

IN WITNESS WHEREOF, this Annual Incentive Plan of Novant Health, Inc., is hereby adopted and approved this 21<sup>st</sup> day of May, 2018, to be effective as of January 1, 2018.

NOVANT HEALTH, INC.

By: Janet Smith, Jr.  
Title:

Attest:

J. Smith  
Janet Smith, Secretary

[Corporate Seal]

